



Sales Tax Newsletter

News and developments

A publication of the Sales and Special Taxes Division

Rick Clayburgh
Tax Commissioner

File Your Sales Tax Returns Online

We want to remind sales tax filers that we have online filing available that allows you to file your tax sales tax returns electronically using the Internet. This electronic filing method, known as Sales Tax WebFile, provides you a paperless, safe and secure electronic system that allows you to file your sales tax return from your personal computer, 24 hours a day, 7 days a week.

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To register and take advantage of this convenient and efficient method for filing your sales tax returns, go to www.ndtaxdepartment.gov, click on **Sales and Use**, and then click on **Electronic Filing**. If you have any questions, please call our office at 701-328-3470.

New Local Sales Taxes

The cities of **Aneta**, **Dunseith**, and **Wimbledon** have each imposed a 1 percent sales and use tax effective January 1, 2005.

The new local taxes will be reported on the local option schedule of the sales tax return as local code 203 for Aneta, 204 for Dunseith, and 205 for Wimbledon. All three cities established a maximum tax of \$25 per transaction. Each invoice is a transaction for purpose of determining the local tax maximum. All transactions exempt from North Dakota sales tax will also be exempt from the three local taxes. In addition, Aneta will exempt the sale of new farm machinery and the gross receipts from coin-operated amusement, and Wimbledon will exempt sales of natural gas and new farm machinery. The city ordinances do not provide for retailer compensation.

Local Sales Tax Rate Increases


Fargo has increased its sales and use tax rate from 1 to 1½ percent effective January 1, 2005. In addition, the maximum tax per transaction has increased from \$25 to \$37.50. All other terms of the sales tax ordinance remain the same.

LaMoure has also increased its sales and use tax rate from 1 to 1½ percent effective January 1, 2005. No other terms of the sales and use tax ordinance have changed, including the maximum tax amount, which remains at \$25 per transaction.



Office of
State Tax Commissioner
600 E Blvd Ave, Dept 127
Bismarck ND 58505-0599
701.328.3470
ndtaxdepartment.gov
salestax@state.nd.us
www.discovernd.com

Park River has increased its sales tax rate from 1 percent to 2 percent effective January 1, 2005. Park River did not increase the corresponding use tax rate, which will remain at 1 percent. As a result, the city ordinance requires retailers located within the city limits of Park River to collect sales tax at the rate of 2 percent if the customer takes possession of the goods within the city limits. The maximum local tax per transaction remains at \$25.

Retailers located outside of Park River will continue to collect a 1 percent tax on the sale of goods they deliver into the City of Park River. In addition, customers located within the city of Park River who purchase or acquire goods for storage, use, or consumption within the city will continue to be responsible for the 1 percent use tax whenever the goods were not subject to the applicable local tax. For additional information on these use tax responsibilities, please refer to the article ***What are Use Taxes?*** located on page 4 of this newsletter. 

Sales of New and Used Farm Machinery


The sale of new farm machinery for agricultural purposes is subject to the 3 percent sales tax rate. The sale of used farm machinery is exempt from sales tax.

To qualify as “used” farm machinery, the equipment must meet one of the following standards:

1. Has been subject to North Dakota sales tax on a previous sale;
2. Was originally purchased outside this state and previously owned by a farmer; or
3. Has been under lease or rental for three or more years.

Farm machinery not meeting at least one of these standards will be subject to the 3 percent tax rate.

Sales of Farm Machinery Previously Leased or Rented

The sale or purchase of farm machinery that has been previously leased or rented exclusively for agricultural purposes is regarded as “new” farm machinery subject to the 3 percent sales tax rate, unless the farm machinery has been leased or rented for three or more years. If documentation is not available at the time of sale, sales tax in such instances will be determined by the farm machinery’s model year. If the model year for the farm machinery used previously for lease or rental purposes is three years old or greater, the farm machinery is regarded as used machinery that is not subject to sales tax. 

Rental of Tangible Personal Property

The charge for the lease or rental of tangible personal property is generally subject to sales tax.


Rental with an Operator

In certain instances, equipment may be rented with an operator. In these cases, the renter is considered to be providing a nontaxable service rather than a rental of tangible personal property. The rental of equipment with an operator is not subject to sales tax. However, where equipment is generally rented with an operator, the operator must pay sales or use tax on the equipment at the time the equipment was purchased.

The sale of new farm machinery for agricultural purposes is subject to the 3 percent sales tax rate.

Motor Vehicle Rentals

The charge for the rental of any motor vehicles for period less than 30 days are subject to the 5 percent sales tax. In addition, a 3 percent sales tax surcharge is also due on the rental charge for a motor vehicle having a gross vehicle weight of ten thousand pounds [4535.92 kilograms] or less.

For additional questions regarding lease or rental of tangible personal property, please contact our Sales & Withholding Tax Compliance Section at salestax@state.nd.us or by calling (701) 328-3470. 

Tax Return Preparation Tips

About 90 percent of all North Dakota sales and use tax returns are filed error free. THANK YOU for taking the time and effort to file timely and accurate returns! Your efforts help reduce the costs of administering state and local sales taxes.

The Office of State Tax Commissioner provides two methods for filing sales tax returns: *paper* returns that must be paid by check or money order and *electronic* returns that may be paid by check, money order, ACH debit, ACH credit, or credit card.


If you choose to file electronically, please **DO** send a voucher if you pay by check or money order but please **DON'T** send a copy of your sales tax return with your payment.

If you choose to file by paper, please **DO**:

- Use the preprinted form provided by the Tax Commissioner.
- Report local taxes on page two of the form (rather than on a separate Schedule ST-Local) if you have less than ten local taxes. Previously reported local taxes are preprinted on the form. If you no longer need some of the preprinted locations, you may call, write or e-mail our office to request removal on future returns.

If you use a software package to prepare a paper return, please **DO**:

- Verify the permit number, name and address, tax period, period ending date, and due date are identical to the information preprinted on the form provided by our office. Errors in these fields of information may result in delinquency notices because our office cannot properly identify the permit number or reporting period. In some cases, returns may be sent back to the sender for correction, which may result in penalties for late filing.
- Report local taxes on page two of the form if you have less than ten local taxes.
- Verify that your software program is not reporting local taxes twice. We receive many software generated returns with local tax reported on page two of the return and also on a separate Schedule ST-Local. This error will result in a billing to you for additional local tax reported in error.

Thank you for your help. 

**Verify that
your software
program is
not reporting
local taxes
twice.**

Use tax is due by an individual or business that uses or stores an item that has not been subject to state or applicable local sales tax.

What Are Use Taxes?


Sales tax is generally charged by a seller when you purchase items in North Dakota. Many people are not familiar with the imposition of use tax. Use tax is due by an individual or business that uses or stores an item that has not been subject to state or applicable local sales tax. Most often, this may occur when you order items from an out-of-state seller, but this may also occur where a North Dakota seller does not impose the sales tax.

When a seller collects North Dakota sales tax, the seller has the responsibility to report and pay the sale tax to the State Tax Commissioner. If a North Dakota seller or out-of-state seller does not charge sales tax on a purchase that would otherwise be subject to sales tax, the customer has the responsibility to report and pay the tax, as a use tax, directly to the State Tax Commissioner. To report the use tax, the customer should use the North Dakota Use Tax Return, Form SFN 22076, which is located on the State Tax Commissioner's Web site at www.ndtaxdepartment.gov. Click on **Sales and Use**, then on **Forms** to locate the *Use Tax Return*.

Internet Purchases


The purchase of tangible personal property from an Internet seller is still considered a taxable sale if the delivery of the product is made to a customer located in North Dakota. As noted previously, you should use the *Use Tax Return*, Form SFN 22076 to report and pay the use tax on those purchases of tangible personal where North Dakota sales tax was not charged by the Internet seller.

Business Purchases

Our office conducts routine audit examinations of businesses each year. In those instances where an audit assessment is made, the primary cause for a sales and use tax assessment is the failure of the business to report and pay use tax on untaxed purchases of tangible personal property from out-of-state sellers. A business is allowed to purchase goods tax-exempt if the goods are intended for resale. However, if it is determined the goods are removed from the resale inventory for use by the business or its employees, the use of the goods is subject to use taxes. Businesses must report the cost of these untaxed purchases on Line 17 of their *North Dakota Sales and Use Tax Return*. 

Taxpayer Assistance

If you have questions regarding sales tax or about correspondence received from our office, the following information will be helpful in ensuring that your call or visit to our office is completed in a speedy and efficient manner:

- If you have general sales tax questions, please call our Sales Tax Compliance Section at (701) 328-3470.
- If calling our office about correspondence you have received, please call the number that is listed on the correspondence, and have a copy of the correspondence available when you call.
- When calling our office, please note the name of the person assisting with your question in the event you will have any follow-up questions later.
- Instead of calling or visiting our office, you may also e-mail us at **salestax@state.nd.us**. 



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Bismarck ND 58505-0599
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salestax@state.nd.us
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